"Robbing Peter to Pay Paul": Economic and Cultural Explanations for How Lower-Income Families Manage Debt

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This article builds upon classic economic perspectives of financial behavior by applying the narrative identity perspective of cultural sociology to explain how lower-income families respond to indebtedness. Drawing on in-depth qualitative interviews with 194 lower-income household heads, we show that debt management strategies are influenced by a desire to promote a financially responsible, self-sufficient social identity. Families are reluctant to ask for assistance when faced with economic hardship because it undermines this identity. Because the need to pay on debts is less acute than the need to pay for regular monthly expenses like rent or groceries, debts receive a lower priority in the monthly budget and families typically juggle their debts in private rather than turning to social networks for assistance. In some cases, however, debts take on special meanings and are handled differently. Respondents prioritize debts when they perceive payment as affirming a self-sufficient or upwardly mobile identity, but they reject and ignore debts they view as unfair or unjust. Because the private coping strategies families employ trap them in costly cycles of indebtedness and hinder future mobility prospects, debt management strategies are consequential for long-term financial well-being. *Keywords: financial behavior; debt; economic mobility; economic coping strategies; qualitative methods.*

Lower-income families have always faced barriers to economic mobility, but the types of barriers they face have changed with the expansion of credit markets. Historically, disadvantaged households lacked access to credit as a tool for economic mobility or income smoothing, so they had few debts even though experiences of economic hardship were common (Katz 1996; Liebow 1967; Stack 1974). This changed during the 1980s with the deregulation of the credit industry and expansion of credit markets. Although offering unprecedented opportunities to use credit to promote economic stability and mobility, consumer debt skyrocketed as a result of these changes (Bird, Hagstrom, and Wild 1997; Draut and Silva 2003; Lyons 2003; Weller 2006), contributing to widening wealth inequality and making indebtedness a key source of stratification in contemporary American society (Leicht 2012). In fact, by 2006, the richest 10 percent of Americans held two-thirds of the nation's wealth, while the bottom fifth had a *negative* net worth (Mishel, Bernstein, and Allegretto 2007).

The expansion of credit markets increased indebtedness across the income distribution, but this has been particularly problematic for lower-income families (Lyons 2003). These families have found it increasingly difficult to pay their debt obligations because their assets and earnings have not grown as they did for wealthier Americans (Mishel, Bernstein, and Shierholz 2009). They have also faced additional economic risks as income volatility rose, medical costs skyrocketed, and the social safety net eroded. As a result, by 2004, almost half of very-low-income families

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(with annual incomes under $10,000) and over one quarter of low- and moderate-income families ($10,000 to $50,000) spent more than 40 percent of their take-home income to pay off debt (Weller 2006). The sources of lower-income families' debts also place them at a disadvantage relative to more affluent families, as they are less likely to have investment debt, such as mortgages, and more likely to have high-interest or unsecured debt, such as credit cards (Aizcorbe, Kennickell, and Moore 2003).[1]

Despite the rising prevalence of indebtedness, sociologists have devoted little attention to how households manage this growing source of financial strain. Instead, economic theories have dominated the academic and policy understanding of the debt behaviors of low-income households. Economic models of financial behavior characterize much of the indebtedness of the poor as "irrational," and attribute their financial behaviors to "psychological errors." This work has not studied the social contexts in which debts are accrued or repaid or the meanings individuals attribute to their indebtedness. Sociologists have not devoted substantial empirical attention to these questions either, but perspectives within cultural sociology suggest that the social and financial identities held by lower-income families should influence their behavioral responses to debt.

In the present study, we build on classic economic perspectives of financial behavior by applying the narrative identity perspective of cultural sociology to explain how lower-income families respond to indebtedness. Drawing on in-depth qualitative interviews with the household heads of 194 lower-income families (with annual incomes under $40,000 in 2007), we show that families' debt management strategies are influenced by their desire to promote a financially responsible, self-sufficient social identity. Families are reluctant to ask for assistance when faced with economic hardship because it undermines this identity. The need to pay on debts is often less acute than the need to pay for regular monthly expenses like rent or groceries, so debts receive a lower priority in the monthly budget and families juggle their debts in private rather than turning to social networks for assistance. In some cases, however, debts take on special meanings for respondents and they handle them differently as a result. They prioritize debts when they perceive payment as affirming a self-sufficient and upwardly mobile identity, but they reject and ignore debts that are perceived as unjust or unfair. Thus, the strategies that families use to manage their debts are grounded in cultural narratives of self-sufficiency and responsibility.

Background

Models of Debt Behavior

Economists have dominated the study of individual financial decision making. The traditional *rational actor model* of behavior posits that individuals are "rational, hold coherent, well-informed beliefs, and pursue their goals effectively, with little systematic error and no need for help" (Mullainathan and Shafir 2009:121). Under this model, taking on debt is a rational response to certain life conditions, such as financing future mobility in the form of education or smoothing consumption temporarily following a drop in income. Traditional economic models also assume that money is completely fungible—that all money is equal and interchangeable. Thus, the rational actor model would predict that individuals treat all dollars owed as equivalent and pay off their debts to minimize their total cost; in most cases, this means prioritizing debts with the highest interest rates and balances.

Recent developments in behavioral economics have criticized the rational actor model, drawing on psychological principles to argue that human behavior is not fully rational but context

1. The percent of low-income families with credit cards increased from 20 percent in 1983 to 40 percent in 2001 and the proportion of low-income families with credit card balances more than twice their monthly incomes went from 1 in 30 to 1 in 8 during that period (Draut and Silva 2003).

dependent (Mullainathan and Shafir 2009; Thaler and Sunstein 2008; Tversky and Kahneman 1974). In this view, individuals are strongly influenced by situational factors; they do not perceive and interpret the world around them objectively. Although the recognition of contextual influences is theoretically important, the *behavioral economic model* of debt behavior continues to characterize deviations from rational action in terms of psychological "errors." For example, behavioral economists have noted that individuals revert to default options even when they are not the optimal choice; they discount future behaviors, placing less value on their status in the future than in the present; and they are loss averse, valuing an object more when it is in their possession than when it is not (Thaler and Sunstein 2008; Tversky and Kahneman 1974). Most recently, behavioral economists have noted that such psychological errors may be more costly for the poor, as they have less financial cushion to shield them in the wake of such errors (Blank and Barr 2009; Mullainathan and Shafir 2009). The behavioral economic perspective has become influential in the policy world, informing policies targeted at improving the savings and spending decision making of the poor (see, for example, Thaler and Sunstein 2008).

Despite its sensitivity to contextual factors, the behavioral economic model has a limited understanding of the *actual social contexts* in which the poor navigate their financial lives. Behavioral economists often manipulate contexts in laboratories or other controlled experimental settings, overlooking the importance of social identities and subjective meanings developed in the real world for explaining behavior. Thus, they cannot explain why individuals respond heterogeneously to the same "objective" situations. Behavioral economists have improperly and unfavorably characterized culture as an explanation for behavior, often using the outdated "culture of poverty" thesis of the 1960s. For example, Sendhil Mullainathan and Eldar Shafir (2009) recently argued that cultural models of behavior "attribute a variety of psychological and attitudinal shortcomings to the poor, presumed to be endemic, that render the views of the poor misguided and ill informed, their behaviors impulsive and lacking, and their choices fallible, that leave them in need of paternalistic guidance" (p. 121).

The field of cultural sociology has made significant advances since the culture of poverty thesis fell out of favor (see Lamont and 2008; Small, Harding, and Lamont 2010 for reviews). It now provides a nuanced set of perspectives to understand how context influences individual perceptions and decisions. Individuals develop an understanding of themselves and their surroundings that can be observed in the personal narratives, or stories, they tell. These narratives, in turn, shape their actions (Ewick and Silbey 2003; Polletta 2006; Somers 1994). This *narrative identity perspective* argues that, when faced with multiple courses of action, people will pursue the path that is most consistent with their personal narratives and self-conceptions, rather than a path that might seem most rational to an outsider (Lamont and Small 2008). In this framework, the narratives one has developed to make sense of one's life guide one's actions, rather than rational calculations or cognitive biases. Narratives have been used to understand a diverse array of actions related to social mobility (Abelmann 2003; Portes and Rumbaut 2001; Young 2004), but to our knowledge they have not been used to explain variation in financial behaviors related to debt. For our purposes, the narrative identity perspective predicts that individuals take actions towards their debts that support, rather than undermine, the financial identities they have developed. We can observe these financial self-conceptions through the personal narratives they recount.

Prior Research on Financial Behavior

Despite the advances sociologists have made in theorizing the behaviors of the poor, they largely have overlooked how social identities may affect financial decision making. One notable exception is the work of Viviana Zelizer (1994) who, in an historical analysis of housewives, gang members, and prostitutes (among others), found that people earmark different currencies for particular types of social interactions, and respond with anger to the misuse of monies for the wrong circumstances or within inappropriate social relations. This directly challenges the rational actor model's assumption that money is fungible. And unlike the behavioral economic model's focus on psychological influences, Zelizer shows that the determination of an appropriate or inappropriate use of money is highly dependent upon the social relations in which the transaction was embedded and the social identities of those involved.

The empirical work of poverty scholars has largely overlooked Zelizer's cultural insights in their studies of the financial behaviors of the poor, particularly those related to debt. Most sociological research on debt has used quantitative data to examine disparities in wealth and debt by race, class, and age (Conley 1999, 2001; Keister 2000a, 2000b, 2004; Keister and Moller 2000; Oliver and Shapiro 1995) or to trace the trajectories of debt and wealth accumulation over the life cycle and its consequences for economic mobility (Lundy 2011; McCloud and Dwyer 2011; Shefrin and Thaler 1988). Although this work has provided important information about the enormous disparities in debts and assets between advantaged and disadvantaged social groups and the structural sources of these disparities, it has not explored the micro-level decision-making processes families use to manage their debts.

In contrast, qualitative work on the economic coping strategies of the poor has largely ignored debt. In their seminal work *Making Ends Meet* (1997), which details the economic coping strategies of low-income single mothers on welfare and in the low-wage labor market, Kathryn Edin and Laura Lein found that current and former welfare recipients generated extra income by working at side jobs and by obtaining assistance from members of their social networks, community groups, and local charities. Other researchers have corroborated these results, finding that low-income families draw on networks, supplemental employment, and nonprofit assistance to mitigate material hardship (Hill and Kauff 2001; Mistry and Lowe 2006; Polit, London, and Martinez 2000). Rashmita Mistry and Edward Lowe (2006) found that families distinguish between spending on "basics," "extras," and "big ticket items," and these types of spending hold different meanings. For example, keeping abreast of monthly bills was associated with feeling "okay," but modest extras and bigger ticket items were associated with feelings of pride and accomplishment. Because of this, mothers were motivated to find ways to not only secure their basic needs but also to be able to afford some modest extra spending, such as eating out or buying something special for their children. In this way, the feelings associated with different expenditures influenced the strategies mothers used to obtain them.

One striking feature of these in-depth accounts of financial behaviors among lower-income families is that debt is virtually absent from them. There are several reasons why this might be the case. First, respondents may not have been asked about debt, so it did not come up in the interviews. If respondents did not initiate the topic of debt when discussing economic coping strategies, perhaps it was because they viewed the process of making ends meet on a monthly basis differently than they viewed their outstanding debts. A second possibility is that populations who have been interviewed about economic coping strategies were typically the most disadvantaged, often current or former welfare recipients. These families may not have qualified for credit cards or they may have received free medical assistance and subsidized housing, resulting in very little debt. If this is the case, the problems of indebtedness may reach higher up the income ladder than the populations traditionally studied in the literature on economic coping strategies. Indebtedness may also have become more common for this population following welfare reform and credit deregulation (Littwin 2008).

Indeed, there is evidence to support this latter explanation. In *The Missing Class* (2007), Katherine Newman and Victor Tan Chen follow nine families they classify as the "near poor;" those who live in households earning incomes between $20,000 and $40,000 for a family of four. Newman and Chen note that the families they study are about twice as likely as poor families to have credit cards, and they provide accounts of the toll credit card debt has taken on the families. While their goal was not a detailed analysis of debt coping strategies, they do describe economic coping strategies used by individual families, including reliance on social networks and credit cards (Newman and Chen 2007:67–69). In addition to Newman and Chen's work, Deborah Thorne and Leon Anderson (2006) studied the role of stigma in the decision to file for bankruptcy among married couples. Research shows that bankruptcy is a debt management strategy utilized primarily by the middle class, not the poor (Warren 2003; Warren and Thorne 2012). These in-depth examinations of the near poor and middle class are an important foundation for the present study, which provides a detailed examination of the range of debt coping strategies utilized by the poor and near poor.

In the present study, we use the narrative identity perspective to explain lower-income families' financial behavior, focusing on how they understand and manage their indebtedness. Using interview data, we first document levels and types of indebtedness and then analyze the sources of financial support families utilized to assist with their debt burdens. We find that respondents aspired to financially responsible, self-sufficient social identities, and were reluctant to rely on formal or informal assistance for their debts. Instead, they developed an extensive set of personal coping strategies to manage their bills in private. Next, we categorize the varied personal debt coping strategies families adopted and examine their motivations for using each strategy. We conclude by discussing the implications of these private debt coping strategies for the reproduction of social inequalities and for asset-building and debt-reduction policies.

Data and Method

We draw our data from in-depth qualitative interviews with the household heads of 194 lower-income families with annual household incomes under $40,000. Respondents were sampled from two cities—Boston, MA and Champaign-Urbana, IL—as part of a large study of families who received the Earned Income Tax Credit (EITC), a federal tax credit for which families qualify if they have earned income and children. The EITC provides an ideal sampling frame for reaching lower-income families, as the qualifying income limit in 2007 (when our data were collected) was $37,783 for a family with two or more children. Take-up of the EITC is high among eligible families (over 75 percent), suggesting that this sampling frame covers most lower-income families (Plueger 2009). The two sites were selected to capture variation in urbanicity and cost of living, although our analyses revealed few differences between the two sites regarding indebtedness, so we combine them in our analyses.

We first sampled respondents at random sampling intervals from three types of locations at each site during January to April of 2007—for-profit tax preparation sites, nonprofit tax preparation sites, and Head Start centers—and conducted a short survey with those who filed an Earned Income Credit (EIC) schedule.[2] We sought a racially and ethnically diverse sample, so we sampled tax preparation sites and Head Start centers based on the racial and ethnic composition of the communities they served. Respondents completed a short survey asking for basic demographic and economic information and contact information for follow-up in-depth interviews.

In the second phase, we selected a stratified random sample of survey respondents for in-depth interviews about six months after they were initially interviewed. The sample was stratified by site (79 in Champaign-Urbana and 115 in Boston), by race/ethnicity (even numbers of white and black households in Champaign-Urbana and even numbers of white, black, and Hispanic households in Boston), and by family structure (within each city and racial/ethnic subgroup, we sampled three single household heads for every one married couple filing their taxes jointly). Response rates for both phases of sampling were over 90 percent.

2. Sampling intervals were randomly scheduled on every day of the week in the morning, afternoon, and evening. We administered the surveys immediately after respondents filed their taxes. We also sampled families at area Head Start centers to help capture some households who did not use a for-profit or nonprofit agency to file, but prepared their taxes themselves. Roughly 70 percent of all EITC claimants file at a for-profit tax center, and the remaining 30 percent turn to family and friends, file themselves, or use the services of a nonprofit organization. Head Start centers were an effective recruitment site because the participating families are also mostly EITC eligible.

At both sites, a team of trained interviewers conducted the interviews with respondents following the initial surveys. All interviews were conducted in person; 90 percent took place in respondents' homes, the rest took place in public locations such as coffee shops, fast food restaurants, parks, or libraries. Interviews averaged 2.5 hours in length, ranging from 1.5 to 4.5 hours. During each interview, we asked both open- and close-ended questions about: income and expenses; financial knowledge and behavior; savings, debts, and assets; economic coping strategies; home and work life; housing and neighborhood; family background; and mobility aspirations. In addition, we collected detailed information about the type and amount of each source of income coming into the household from all family members; each type of expenditure made in the past month and the amount; the type and amount of each asset held; and the type and amount of each debt held including interest rates and balances. After collecting this detailed quantitative information on household budgets, we asked open-ended qualitative questions that elicited narratives about how each debt had been accrued, how respondents prioritized their expenses if they did not have enough income to cover them all, and the coping strategies they used to make ends meet.

All interviews were audio-recorded, transcribed, and coded into both numeric and thematic fields. We analyzed numeric information, such as the detailed accounting of debts, using quantitative techniques. Thematic qualitative data, such as the decision-making processes around debt accumulation and repayment, mobility goals, and the use of government assistance and social support were sorted into broad topical categories, coded inductively, and analyzed by examining patterns among the codes. To preserve confidentiality, all respondents and family members were assigned pseudonyms and potentially identifying details in the narratives presented below have been altered.

Table 1 presents the descriptive characteristics of respondents in our sample. Most of the household heads we interviewed were women. Our sample is evenly divided among blacks, whites, and Latinos, and roughly one-third of the households were married, consistent with our stratified sampling strategy. Households had, on average, about 2.5 children and household heads were on average 34 years old. About one quarter of the sample had a high school degree or less, and over half had completed at least some college, most often community college or a training program at a proprietary institution. The average annual household earnings in our sample was $24,281 in Boston and $21,672 in Champaign-Urbana, with an additional $3,000 to $4,000 in household income from government cash assistance, such as welfare, social security, and disability payments. Boston respondents had $7,506, on average, in outstanding debt and Champaign-Urbana respondents had $11,408. Debt-to-income ratios, a measure of debt burden, were 34 percent on average in Boston and 38 percent in Champaign-Urbana. There were few differences across our two sites, except that Boston had more foreign born respondents and more families residing in subsidized housing, while Champaign-Urbana had more homeowners, whose mortgages made total debt and debt-to-income ratios higher there than in Boston.

Results

Types of Debt

The vast majority of respondents in our sample reported they had debt, but the level and type of indebtedness varied considerably. Only 11 families (5.7 percent) had no outstanding debt. One-fourth of debtors owed less than $800, while another quarter owed more than $8,000. Families often had multiple types of debts. Just 14 percent of the sample had exactly one debt. Twenty-six percent of respondents had two kinds of debt, 23 percent had three kinds of debt, and 31 percent of the sample had four or more different types of debt.

Table 1 • *Respondent Characteristics*

	Full Sample	*Boston*	*Champaign-Urbana*
Sex			
Female	.86	.90	.80
Male	.14	.10	.20
Race/ethnicity			
Black	.44	.35	.58
White	.38	.35	.42
Latino	.18	.30	.00
Nativity			
Foreign born	.23	.35	.05
Current relationship status			
Married	.41	.39	.43
Unmarried	.59	.61	.57
Mean # children	2.48	2.46	2.51
Mean age	33.95	34.41	33.29
Housing status			
Homeowner	.14	.10	.20
Nonsubsidized renter	.29	.18	.44
Subsidized renter	.43	.60	.18
Other arrangement	.14	.12	.18
Employment status during past year			
Full time only	.48	.47	.49
Part time only	.32	.36	.26
Full and part time	.20	.17	.25
Educational attainment			
Less than high school	.10	.14	.04
High school/GED	.17	.14	.22
Some college	.33	.35	.30
Associate's degree	.29	.25	.35
Bachelor's degree	.09	.11	.07
Post-bachelor's degree	.03	.01	.07
Mean annual income			
Household earnings ($)	23,219	24,281	21,672
Household income (earnings + government assistance) ($)	26,881	27,781	25,570
Received SNAP in past year (%)	40	37	46
Mean debt amount ($)	9,095	7,506	11,408
Mean debt-to-income ratio (%)	36	34	38
N	194	115	79

Notes: Values are proportions unless otherwise noted. Income values are in 2007 dollars. Annual earnings from jobs or self-employment. Government assistance from welfare, social security, disability, or other cash assistance.

Table 2 shows the percentage of respondents holding different types of debts and the average size of those debts. Credit card debt was the most common, with 60 percent of respondents reporting an average credit card balance of $4,705. Many respondents were delinquent on utility and phone bills (42 percent), but these balances were comparatively small ($873 on average). While relatively few respondents owned homes and had mortgage payments (13 percent), many had educational debt from various forms of higher education, ranging from trade and technical schools to community colleges (34 percent) with an average balance of $8,312. Many respondents had taken out loans for cars (42 percent), owing an average of $8,471. Medical debt was also common, with 25 percent of our sample owing an average of $4,854 in medical bills.

Table 2 • *Types and Amounts of Debt among Respondents*

	N *with Debt*	*Percent with Debt*	*Mean (dollars)*	*Median (dollars)*	*SD (dollars)*	*Min (dollars)*	*Max (dollars)*
No debt	11	5.7					
Credit card	115	59.6	4,705	1,430	8,795	150	52,000
Car loan	80	41.5	8,741	7,500	7,923	99	30,000
Utilities	80	41.5	873	250	1,234	50	3,500
Education	65	33.7	8,312	4,000	13,324	450	81,000
Medical	49	25.4	4,854	1,250	9,608	80	40,000
Mortgage	25	13.0	196,700	103,500	174,695	2,500	500,000
Bank	23	11.9	1,664	700	2,826	68	8,000
Family/friend	16	8.3	533	500	251	300	800
Back rent	11	5.7	6,970	4,000	7,638	1,500	20,000
Home goods	11	5.7	1,299	1,000	2,312	50	6,000
Other car costs	9	4.7	1,550	1,550	1,061	800	2,300
Nonbank Loans	6	3.1	10,765	9,050	19,490	1,000	40,000
Legal bills	4	2.1	1,000	1,000	601	50	900
Other	15	7.8	9,050	4,000	11,950	600	17,500

Notes: Mean, median, standard deviation, min, and max based on respondents who held that type of debt. Total $N = 194$.

Finally, 12 percent of respondents owed money to banks for personal loans. Smaller numbers of families owed money to family or friends,[3] or had other outstanding bills related to rent or legal fees.

Narratives of Self-Sufficiency

Respondents espoused a strong desire to be financially self-reliant despite their fragile financial conditions. Consistent with findings from other studies (e.g., Littwin 2008), they were reluctant to rely on financial support from extended kin or friendship networks, and felt even worse about relying upon government cash assistance. Being able to achieve self-sufficiency was a considerable source of pride, while being forced to turn to network, and especially government, support was often a matter of shame. As Tessa Morales, a white married mother of three told us, her experience on welfare was

> terrible. I'll never do it again. It was the worst experience . . . I went and got a job and got off of it [welfare]. Got off and worked ever since . . . It was terrible. I'll never go back to them places again. Never. It's not for me . . . I was so embarrassed . . . I would never go back . . . I swore I would work the rest of my life. I didn't care how I worked or where I worked, I would never go back there again. Never. And I didn't.

Tessa's quote reveals the shame virtually all of our respondents associated with receiving welfare, which motivated a strong drive to be employed and to avoid being dependent. Another respondent, Pedro Rios, a married Hispanic father of four who works as a facilities manager at a local school, echoed this desire to be self-sufficient, the importance of working in order to "be somebody," and the need to model this for his children:

> I told [my wife] I don't want my kid supported by welfare . . . at the time I was working and I was making good money. I mean, not good money, enough money to pay my bills, so I don't like to take advantage . . . So I told her, forget about that. I mean, I'm working. I'm making money . . . [So] far I like to stay away from that [welfare] . . . We gotta show the kids in the future that you gotta work hard to be somebody someday . . . I like to progress, I like to work, I like to, you know, get what I get without somebody giving it to me.

3. This includes only those loans where there was an expectation that they be paid back; many more respondents received informal monetary and nonmonetary support from their friends and relatives.

Pedro's desire to "get what I get without somebody giving it to me" is consistent with a large body of research showing that welfare is highly stigmatized in the United States because it is perceived to conflict with American values of self-reliance and the belief that able-bodied individuals should work (DeParle 2004; Ellwood 1988; Gilens 1999; Katz 1993).

Although welfare was by far the most stigmatized form of dependence among respondents in our sample, they also felt uncomfortable relying on their social networks for assistance because it conflicted with their ideals of self-sufficiency. Mack Clark, a white married father of two, told us that "it's depending on other people, that's what it is . . . and I like to depend on myself." Echoing this sentiment, Bryn Gamble, a single mother who works as a receptionist for an insurance company, told us "I'm not lazy. I like my own. I really don't like for people to help me unless I really need it." And Chantelle Woodward, a single mother of two who works as a medical assistant, declared:

> I just can't find myself sitting home all the time and not doing nothing and watching the same shows, that's not the lifestyle that I chose to live . . . I'm a role model for my daughters. I don't want them to get into that to where it's okay to just stay home and rely on others and don't work and don't think about responsibilities . . . I'm a role model for them and I want them to know in order to get things in life you have to earn it, you have to go out there and get it. It's not gonna just come to you.

We heard similar sentiments from the vast majority of respondents in our sample, who espoused values of self-reliance and responsibility.

Respondents were reluctant to rely on their social networks for financial support, but they often found themselves in situations where they had to ask for help, given their unpredictable financial circumstances. When we asked about borrowing money from family or friends, one respondent, a black single mother of two who worked as a nursing assistant, gave a response typical of many:

> I try not to borrow or I don't—well, I don't like to borrow anyway. I mean that would be the last option that I opt to is asking someone else. That's just me personally. I'd rather wait, or try to wait out, and see if I can find another way to get it.

Similarly, another respondent answered our question by saying, "Yeah, that's when I have to break down and have to ask, if it's *really* like needed wise, I'll have to ask like a sibling or something." When pushed about how many times that has happened, she said "probably twice if anything." Consistent with these quotes, most respondents made it clear to us that they used their networks only as a last resort.

Respondents' descriptions of asking for help revealed that they drew on their network resources only when they were in dire need of basic necessities that had an immediate impact on their well-being. In fact, 75 percent of respondents in our sample had relied on their social networks at some point in the recent past for help with basic necessities including food, shelter, or staple items for their children. In contrast, only 12 percent used network assistance to help with their bills and debts. When they asked for help with bills and debts, it was often because nonpayment would result in an immediate detrimental effect on their well-being, such as keeping a service like heat or electricity from being disconnected after months of nonpayment.

For example, when asked how she had managed being unable to pay a bill in the last six months, LaWanda, a black single mother who works as an emergency medical technician, told us:

> How do I manage that? Stress, scream, cry, pray. There have been a few times where maybe—I think the electricity bill or the phone bill, you know, they send me that 72- hour notice they're gonna shut it off and it's like oh, mommy, you got $20?

This quote reveals LaWanda's preference to deal with her bills in private through stress, screaming, crying, and praying, preferring to wait to ask for help until not paying on a bill would cause material discomfort for her family. Similarly, when we asked how she prioritized her bills when she couldn't pay all of them, Genice, a single mother of two boys, said:

> It depends on what the bill is and how bad it should be paid, so it all depends on how bad it is and how bad it need to be paid. Because like my car note . . . maybe I might ask my dad, "dad can you, I borrow this so I can go back to work and get this [pay]check" and then I will give it [the paycheck] back to him. So, I mean, if it's a desperate need, a cry for help, then yeah. But, other than that, no.

Like most of our respondents, Genice waited until the need was "desperate" or a "cry for help" before she asks for assistance; in this case she needed to pay the outstanding balance on her car insurance so that she could use the car to get to work.

Respondents' narratives revealed that their disdain for government assistance and their reluctance to use social networks for financial assistance was rooted in a desire to maintain a self-sufficient, financially independent identity. This desire was often in conflict with economic reality, however, and respondents were often confronted with situations in which they did not have enough money to make ends meet. They turned to government assistance programs and their social networks for help with immediate and pressing material needs, which were most often related to food, shelter, and necessities for the children. Debts and bills usually received a lower priority because nonpayment would not have immediate repercussions on their material well-being; only when nonpayment threatened material well-being, such as having utilities shut off or not being able to get to work, was it acceptable to ask network members for assistance. As a result, debts were usually dealt with in private even when assistance from networks or nonprofits was available, and families developed an extensive set of personal coping strategies to manage their bills on their own. Their desire to promote a responsible, self-sufficient identity also shaped the coping strategies they adopted towards particular debts.

Debt Coping Strategies

The personal coping strategies families used to manage their bills are described in Table 3. We separate out "assistance" strategies, such as relying on government, nonprofit, and network

Table 3 • ***Debt Management Strategies***

Strategy	*Percent of Debts Managed by*	*Examples*
Assistance strategies		
Social networks	11.8	Borrow from family or friends
Nonprofit assistance	4.3	Get assistance from nonprofits
EITC refund	28.9	Use EITC refund to pay
Individualized strategies		
Debt juggling	26.9	Skip a bill or rotate bills
		Pay off one bill with credit card or take out loan to pay bills
		Pay less than minimum
Ignore/reject	15.6	Reject responsibility
		Ignore it
		Misinformation
Pay on time	21.9	Pay amount due
		Pay more than the minimum
Employment	9.5	Take on extra shifts or hours
		Work extra jobs
Go without	5.0	Hold off on purchases
		Go without certain services

Note: Percentages are based on the 558 instances of current or recent debt identified in our sample. Values add up to more than 100 because some respondents used more than one strategy to manage a particular debt.

Table 4 • ***Percentage of Families Utilizing Debt Management Strategies, by Family Income***

	Under $16,000	*$16,000–$26,000*	*$26,000–$40,000*
Social networks	14	12	7
Nonprofit assistance	3	6	3
Go without	4	6	5
Ignore/reject	18	18	10
Debt juggling	35	29	21
Employment	12	9	10
Pay on time	13	18	32
Use EITC refund	32	26	31

Note: Values add up to more than 100 because families can use more than one strategy to manage a particular debt.

support, from "individualized" strategies families developed to cope with debt on their own. The three most common of these individualized strategies were: (1) debt juggling, which involved skipping or rotating bill payments each month, (2) paying on time, which involved paying the full amount due or more than the minimum, and (3) ignoring or rejecting a debt, which involved complete nonpayment.

The payment strategy a respondent adopted towards a particular debt was based in part upon his or her financial situation and ability to pay. Table 4 shows the payment strategies used by respondents based on their household income, with our sample divided into equal thirds. Not surprisingly, those with more disposable income were more likely to pay all of their debts on time or to pay more than the minimum. Just 13 percent of the debts held by families with incomes less than $16,000 were paid on time, compared to 18 percent of the debts among families with incomes between $16,000 and $26,000, and 32 percent of the debts among families with incomes over $26,000.

What is even more striking about Table 4, however, is the great *heterogeneity* of debt management strategies employed by families of similar economic standing. There is more variation within income groups than across them, suggesting that the ability to pay is not the only factor driving decisions about how to manage one's debts. In addition, we found that the *same family* often used different debt management strategies to handle different debts, ignoring some while juggling others, for example. In fact, only 16 percent of families in our sample used one debt management strategy consistently for all their debts. Twenty-seven percent of respondents used two strategies, 26 percent used three, and 28 percent used four or more strategies to handle various debts.

Table 5 summarizes the various combinations of management strategies employed by families in our sample. Of respondents who used each management strategy, it shows the percentage that also used each of the other strategies. This table highlights the vast heterogeneity in approaches

Table 5 • ***Combinations of Debt Management Strategies Utilized by Respondents***

Of Respondents Who Used	*Percent Who also Used*					
	Networks	*Nonprofits*	*Ignore/Reject*	*Juggling*	*Pay on Time*	*EITC Refund*
Networks	—	12	35	47	32	60
Nonprofits	32	—	55	45	41	55
Ignore/reject	32	18	—	55	26	54
Juggling	28	10	36	—	48	69
Pay on time	22	10	20	55	—	53
EITC refund	34	11	33	67	44	—

used by respondents in our sample, and they often utilized strategies that were quite inconsistent with one another. Note, for example, that 36 percent of respondents who juggled one or more of their bills also ignored at least one of their bills. And of respondents who paid consistently on one bill, 20 percent ignored another bill.

To understand the sources of this heterogeneity in approaches to debt management, we examined the narratives and rationales within respondents' qualitative accounts of their debts and debt payment strategies. We found that the coping strategies families used were not only a function of their ability to pay or the result of a rational calculation of how to reduce their debt burden most efficiently; rather, debt management strategies were adopted based on larger narrative identities through which families understood their debts. Most debts were understood within a narrative of making ends meet, in which debt payments were a portion of the many bills that must be paid each month. These debts were juggled on a rotating basis that prevented them from going into collections but also prevented families from making much progress in paying them off. In contrast, debts that symbolized perceived injustices were often ignored or rejected; paying on them would signify acceptance of unfair circumstances and acknowledging mistakes, while ignoring them allowed respondents to mentally absolve responsibility and preserve their identities as financially responsible individuals. Finally, debts that were understood as part of a journey towards a desired identity or social mobility goal were paid most consistently, sometimes even at the expense of other material necessities, because payment resonated with respondents' positive aspirational identities.

The Making Ends Meet Narrative: Juggling Debts. When income was inadequate, the most common individual approach to paying outstanding debts was to juggle them, a practice one respondent aptly described as "robbing Peter to pay Paul." In fact, 27 percent of our respondents reported juggling at least one debt payment, including paying on one debt in one month and a different debt in another month, paying on one debt for a spurt of time and then stopping for a while, paying just part of the total amount due on each bill. Families who used these strategies were constantly thinking about their debts and making efforts to pay them, but often they were not able to make long-term progress on paying debts off with this approach. Instead, they juggled them to keep them from going into collections or default; they "got by," but did not make progress towards goals or feel anger or resentment towards lenders. Most families who adopted juggling strategies like these viewed their debt payments as part of the delicate balancing act of making ends meet each month. There were often fewer immediate repercussions for not paying one's debts, so they took lower priority than regular monthly expenses like rent or groceries. Every couple months respondents would come up short on cash and would not be able to pay the full monthly installments due on all of their debts. When this happened, they would deploy the debt juggling strategies of partial or rotating payments. When we asked Bryn Gamble, a white single mother who cohabited with her daughter's father, for example, how she paid on her bills, she told us "I'm not giving them any more than they need. As [my mom] used to say, like I have to rob Peter to pay Paul. Like I have to take from one bill to pay another bill."

Coral Nicholson, a widow with a 15-year old son who works as a medical assistant, described how this strategy worked for her: "Right now the regular phone is cut off, power bill is doubled, so it's like I'm paying Paul for Peter, like from week-to-week. I wish I could just have one whole month where I could pay every bill on time in the entire amount. But with me I can't, it's always something, I have to pay on it or make arrangement to pay this date or what have you . . . Like with the phone bill I wait till it gets to the part where you get the disconnection notice and then I'll call." Similarly, Gloria Diaz, a black single mother of two, told us "[I'm] just surviving. I would have to choose . . . like one month I'll pay my bill and I would leave one without paying, next month that's the one I have to pay." Like many respondents, Gwen Bickford, a white single mother of two who was recently laid off from her job as a receptionist at a tanning salon, told us her priorities were basic necessities; it was pointless to try to pay on other bills with a limited income:

> Rent comes before everything and I mean as long as my kids have food and clothes on their back and stuff, you know, I don't—I try not to stress myself out thinkin' of those things [bills] because right now at this point in time like I can't just even prioritize a bill because it's like I really have no income comin' in.

These quotes reveal how families viewed the debts they were juggling—they were part of a balancing act of making ends meet on a tight monthly budget by focusing on basic necessities and putting off bills that have few immediate repercussions. A debt would "jump up" on the list of priorities if it started to affect their material well-being, such as when they were told that their electricity or phone service would be disconnected. As one respondent told us, "I'm always a month behind, but I, you know, I give them what it takes to keep it on . . . It never gets turned off." Respondents who juggled debts talked about these debts in their narratives of how they "get by," not in their narratives about goals, aspirations, or economic mobility. They also did not speak about them with anger.

The Injustice Narrative: Ignoring Debt. In some instances, debts took on special meanings and were excluded from the bundle of expenses involved in the narrative of making ends meet. In particular, families ignored or stopped paying on debts that were damaging to their identities as financially responsible individuals, which occurred when they were angry at the circumstances under which the debt had been accrued, how they were treated, or when a debt was too large and overwhelming to handle. This happened to Claire Haynes, who got her first credit card when she was 18, shortly after she gave birth to her first daughter, Hailey. She got the card from a mail advertisement sent to her apartment. She qualified for a $300 credit limit on the card, but unfortunately Claire never got to use it. She told us

> When I got it, [there] was like 40-something dollars available. So you already owe them like $250 when you first get the card . . . And there was a $35 late fee, and [an] over the limit fee. If you got a late fee, you immediately went over the limit . . . They give you a $300 card, but they take out an $80 annual fee and they take out a one-time [activation] fee. By the time they're done taking all the fees off the card, you only got like $40 to spend. So then I called them, and I was like . . . I haven't even used the card. I'm like, you know what? I don't even want it. And they were like, well fine, then don't use it. But I didn't know it was still accumulating all this time. I told them I didn't want the card. But [they] never closed it, so it still kept going up. And then finally I called them, and I was like listen. If you don't make the charges stop now, I'm going to sue you because I don't want it. I never knew they had cards like that.

Now 25 years old, Claire still has this credit card that she refuses to pay but it now has an $840 balance, even though she never charged a penny to it. She was angry enough that she threatened to sue them, but she never actually took action; she simply ignores the debt.

Other respondents voiced similar anger at being "duped" by credit card companies and, like Claire, rejected the debt, or the portion of the debt, they deemed unfair. Corine Samuels, a black single mother who takes care of both her daughter and granddaughter, told us she got a similar $300 credit card, but

> I only got a hundred. [The credit card company] took out all the fees . . . what was it, $85 annual fee, this fee and that fee and then they only got a $100, and now you tell me I owe you $5,000! . . . if I go to court I'm giving [them] back $300, [they] ain't getting no $5,000.

Similarly, another respondent told us how he started out with a card with a $300 limit, but the bill was now over $600 with interest: "So I didn't spend more than 300, it's just that that's all the interest. They were trying to tell me 600 and something, which I told them that they weren't gonna get, especially since my credit limit was 300 and I never got to 300. So they can take the six and wish for it all they want."

Some respondents initially tried to pay on these debts, only to become discouraged by the compounding interest rates and late fees that swamped their modest payment attempts. They felt like they couldn't make a dent in the debt even when paying the amount due on their bill each month, as a financially responsible person should do, which ultimately led them to stop paying. For example, Nathan, a bus driver, and his wife, Maryam, who live with their five children in public housing, used to use a credit card for regular grocery shopping, clothes for the kids, and other monthly expenses. One day, Nathan went over the credit limit without realizing it, and according to Nathan, the credit card company charged him $39 every month that he was over the limit. He kept putting the minimum amount due towards the bill every month, but the balance never went down given the recurring charges and interest. Finally, Nathan said, "I keep paying, but this guy [the card] is never finished. I said forget it; I'm not going to pay it . . ." When we asked him how much the balance was on the card now, he said "I don't know right now, I ignore them." He went on to say "I was willing to pay, but these guys the over limit by $39, $39. I kept telling them, cut it off please, please. Nothing. Listen, it's better not to pay." Although he initially tried to pay, Nathan ended up frustrated and finally noncompliant when his efforts at paying the bill seemed to do nothing to reduce the debt.

These respondents are not alone in their frustration. Stories of being "duped" by credit card companies—by hidden fees, late fees, over-limit fees, and astronomical interest rates—were pervasive, and this perceived injustice often translated into reluctance to pay on the debt or outright rejection of it. Although credit cards were the most common types of debt to be ignored, others reported similar experiences with bank overdraft fees, cell phone companies, and even medical bills. In such cases, the perception of deceitful and harassing behaviors from lenders led people to reject the basis of the debt and allowed them to, at least psychologically, absolve themselves of the responsibility of repayment. Sometimes the rejection of the debt occurred swiftly and immediately, as was the case for Claire after she received her first astronomical credit card statement full of fees, but other times the rejection occurred after a longer period of good-faith effort, as was the case for Nathan after he finally discovered that his monthly payments were no match for the hidden interest rates on his credit card. While providing some modicum of dignity and peace of mind, ignoring such debts often had disastrous consequences for respondents' credit ratings and total debt balances, as late fees and nonpayment fees continued to accrue and bills were sent to collections agencies.

The Economic Mobility Narrative: Prioritizing and Paying Consistently. Other debts were understood as special in a positive way, as part of the path towards achieving a positive financial identity or goal, such as owning a home. In these cases, families were motivated to pay off their debts and adopted disciplined budgeting and repayment strategies, even at the expense of basic necessities. Having a concrete economic or residential mobility goal for the future seemed to kick start a pattern of behavior in which families prioritized paying off their debts above almost everything else. Many of the respondents who adopted this approach were following what may be considered economically rational behavior, but in their narratives we discovered that what often moved a family from juggling their debts each month to prioritizing them and paying consistently was the crystallization of a mobility goal or desired social identity, such as becoming a homeowner. The power of this identity was evident in the fact that many families who were in no financial position to purchase a home were motivated to get their finances in order because of this dream, even if it was unlikely to be realized.

This is what happened to Monica Lourdes, a 42-year-old married Puerto Rican mother. After years of living in a cramped three bedroom apartment with her husband, three children, and the husband and child of her eldest daughter, Monica decided that it was time to get her own home so she could finally provide the space for her family that she always wanted. She told her husband "at the end of this year, we should be looking into getting the house." Monica and her husband owe about $4,000 on three different credit cards, which they had been juggling for years amongst the other monthly expenses. When we asked her about her plans for debt in the coming year, Monica said

> Debt, I'm hoping to eliminate that word. I do want to get the home. I already took a homebuyer's class. I looked into . . . the Credit Smart program [offered through the city], where you take classes and they'll show you how to fix your credit, how to not fall into other traps, like credit cards, again . . . I'm hoping and praying and if everything turns out well by December we should be looking into buying the first home.

To reach this goal, they are no longer juggling debts; they are "paying bills left and right, left and right." They have been trying to pay off their credit cards, and are cutting back on everything else to make this possible. While their incomes haven't changed, each family member goes to the food pantry once a week to get groceries, they have cut back on providing financial support to their other relatives, stopped buying DVDs, and Monica has tried to quit smoking because she "tallied up" how much it cost her. Monica is even thinking of getting a second job. When describing this she laughed and said, "You can tell I really want this house, right?" Monica's story illustrates many economically rational behaviors, including prioritizing her debts, seeking credit counseling, and possibly working more in order to save for a down payment on a house, but what motivated these changes in her debt management was the crystallization of her goal to become a homeowner.

Alyssa Jackson, a black divorced mother of six, also has her eye on a home in the future. Though she has not been able to cut back as much as Monica's family, she pays more than the minimum each month on her largest debt, a Visa credit card. When we asked her why she paid more than the minimum on that bill Alyssa told us it was "because I want one day to buy me a house, so I want to come up out of debt." When we asked more about this strategy, she said "I'm trying to pay all my bills off. I'm trying to pull myself up out of debt so I can—I want a house one day. I want to pay for my own house instead of renting somebody else's house. I want to be taking that rent pay [and] putting it towards my house."

Many families mentioned long-term economic and residential mobility goals as the motivating forces behind steady debt repayment, which often entailed sacrifice in other areas of life. Not all families were ultimately successful at reducing their debts after embarking on this strategy, but they took steps to educate themselves about how to achieve their goal. When they did this, they quickly learned that debt was standing in the way of getting a good mortgage or loan rate, and they had hurt their credit ratings by not paying on credit cards and other loans. To start improving their credit, families made personal payment plans so they could make consistent progress on their debts, started paying down their debts with the highest interest rates, and focused on improving their credit scores. At this point, the debt took on a new meaning. No longer was it part of a package of monthly expenses to deal with each month, it was now a barrier to achieving their goal and paying represented steps towards achieving it. In this way, the crystallization of a mobility goal led families to adopt the economically optimal practices they would need to achieve it. Sometimes it also motivated them to seek out assistance in paying on their debts, most often in the form of homeownership courses offered by local governments or nonprofit organizations. More often than not, however, families worked on paying off these debts with little assistance.

Government and Nonprofit Assistance. Few families in our sample received assistance with their debts or knew of public, private, or nonprofit resources to help them manage their debts. In part, this is because these types of assistance are rare (Thorne and Porter 2007). Nonprofit organizations offer a patchwork of financial literacy courses, but most of our respondents were not aware of such courses. Nor is debt assistance offered as part of participation in other types of government programs, like subsidized housing or food stamps.[4] Although low-income families have access to

4. One exception to this is low-income homeownership programs, such as the Section 8 Homeownership Program and first time homebuyer courses offered by nonprofit homeownership agencies. Many of these programs offered financial literacy resources for low-income families.

nonprofit aid in the form of heating assistance, food pantries, and free tax preparation services, they do not have similar types of assistance for debt counseling at the institutions they typically turn to for help. Even though these programs pay for expenses that then free up funds to pay on debts, families do not understand the assistance they receive in this way nor did it help to educate them or develop payment strategies. In short, many of the forms of nonprofit and government assistance to which families could reluctantly turn when in need were simply not viable resources when it came to their debts.

There was one major exception to this lack of government assistance: tax time was seen by many as an ideal time to pay off outstanding debts. Most lower-income families qualify for a refundable tax credit in the form of the Earned Income Tax Credit (EITC), sometimes totaling several thousand dollars. This allows one to make a large enough payment to eliminate, or substantially reduce, debt, getting the debt collectors off of their backs, and giving them a "clean slate" again, at least for a while. In fact, 29 percent of the debts held by our respondents were paid on with the tax refund. Because of the sizable amount of the refund checks (on average several thousand dollars), those who did contribute some refund dollars to debt reduced their debt burdens by an average of 50 percent.

Why were respondents reluctant to rely on network assistance or government programs, but willing, and indeed eager, to rely on the EITC? Respondents in our sample did not view the EITC as a form of government assistance, like welfare, but rather as a cash bonus for working. This buttressed, rather than undermined, respondents' self-conceptions as independent and responsible workers and parents. For example, many respondents discussed "earning" or "deserving" the refund because they "work hard." Because families know that they receive the refund in part because they work, virtually all see the refund as something that they earned, rather than as a handout from the government. This perception is reinforced by the fact that the credit is lumped together in a single refund check with actual tax refund dollars from over-withholding, and because they claim their refund in tax offices like millions of more affluent families. A more detailed elaboration of how families view the EITC is outside the scope of this article and available elsewhere (Halpern-Meekin et al. forthcoming; Mendenhall et al. 2012; Romich and Weisner 2000; Sternberg Greene 2013; Sykes et al. 2013); the key finding from this literature is that EITC recipients do not view the EITC as a government handout or form of dependence. This explains why our respondents were eager to claim the refund and used it to pay on their debts.

Discussion

Debt plays a key role in the reproduction of social inequalities (Conley 1999, 2001; Harris, Evans, and Beckett 2010; Keister 2000a, 2004; Oliver and Shapiro 1995; Shapiro 2004). While access to credit provides benefits to lower-income families, failure to repay can have negative consequences for social mobility by reducing job prospects, as many employers check credit reports when making hiring decisions (Bayot 2004), by limiting housing options that require credit checks (Thorne 2007), and by restricting access to banks and lending institutions for new accounts or offering less favorable terms for loans (Caskey 1994; Porter 2008). This traps debtors by preventing them from improving credit scores and by restricting access to consumption-smoothing credit (Squires 2004). Debt also increases material hardship by diverting resources towards its repayment rather than going to current consumption, savings, or asset accumulation.

Although the role of debt in reproducing inequality is clear, the meanings and coping strategies associated with debt were largely unexplored by previous research. We showed that families' behavioral responses to their debts are related not only to their financial ability to pay, to "rational" cost-benefit calculations, or to psychological "errors," but also to the varied social identities and personal narratives in which the debts were embedded. We identified three distinct narratives: the making ends meet narrative, the injustice narrative, and the economic mobility narrative.

A common thread through all of these narratives was the strong desire for families to maintain social identities as financially independent, responsible citizens.

These narratives influenced how families went about paying on their debts. Debts embedded within making ends meet narratives were seen as part of the total package of monthly expenses and payment was thus understood as part of the delicate juggling act of securing basic necessities on a limited budget. For debts that were embedded within injustice narratives, paying meant acknowledging failure or acquiescing to unfair circumstances. For example, paying on unanticipated late fees or overdraft fees meant implicitly accepting that they had been ignorant of the terms of the credit arrangement. These debts were most likely to be ignored. In contrast, debts that were seen as part of a journey towards economic mobility were more likely to be paid consistently or used as motivation to seek assistance. Payment provided a feeling of pride and accomplishment because respondents understood it as movement towards that goal or desired identity. While economic standing is clearly associated with the ability to pay on debts, our results suggest that this is a necessary but not a *sufficient* condition for debt repayment. Economic standing did not explain the great heterogeneity in strategies families adopted to manage their debts.

Families did use some of the strategies described in the sociological economic coping literature to help pay off debts—social network, government, and nonprofit agency assistance—but these strategies were significantly less common. Few families sought help from their social networks to help them repay their debts. Even though they did rely on friends and family to help with regular monthly expenses when they were in dire need, they did so at a cost to their personal pride and sense of independence. Thus, respondents only asked their networks for assistance with debts when nonpayment would have an immediate and detrimental effect on their material well-being. Since they were often able to put off paying down their debt, they did not feel the personal cost made it worth asking for help.

The strategies families used to deal with their debts were largely individualistic in focus, involving the rearrangement of existing money. In part, this is due to the fact that there is a comparatively extensive patchwork of governmental and nonprofit programs designed to help families make ends meet for food and shelter, through the provision of welfare and food stamps or through nonprofit energy assistance programs. The primary sources of assistance related to debt—bankruptcy, debt consolidation, credit counseling—were largely unutilized by the lower-income families in our study, consistent with national studies (Warren 2003; Warren and Thorne 2012). We identified one notable exception to this pattern, which was the large role of tax refunds, received through the Earned Income Tax Credit (EITC) and other refundable tax credits, in paying off debt. This is consistent with other research on the EITC, which has found that its primary use is to pay off debt (Mendenhall et al. 2012; Smeeding et al. 2000). The EITC was not viewed as a form of government assistance, but as a reward for working and parenting, so receipt was not damaging to self-worth in the same way as other government cash assistance like welfare.

Our results highlight how the narrative identity of cultural sociology can be used to understand the financial decision making of lower-income populations. We build upon previous work in economics and sociology by documenting how the social identities and personal narratives families developed to understand their financial situations influenced the actions they took towards their debts. Rather than pursuing only the most cost effective approaches to debt repayment, families adopted strategies for paying on their debts that were consistent with their personal narratives and that buttressed their identities as financially responsible and self-sufficient citizens. In addition, the process of narrativizing provided a means for respondents to resist or reinterpret the identities that had been ascribed to them by the creditor institutions. Some respondents used the narrative process as a form of psychological resistance against unjust creditors, while others used it as a form of psychological affirmation that bolstered their motivation to achieve their mobility goals.

Our findings add to the behavioral economic model of financial behavior. Despite its sensitivity to contextual factors, the behavioral economic model has a limited understanding of the actual social contexts in which the poor navigate their financial lives because it develops and manipulates identities in controlled experimental settings rather than in the real world. Our work adds to this research tradition by describing how adults' desire to promote positive, financially self-sufficient identities influences their perceptions and management of debts; those framed as threatening this identity are most likely to be ignored while those framed as appealing to this identity are most likely to be paid consistently. Behavioral economic researchers could design experiments to test our study results and further understand their implications for program and policy design.

In terms of policy, our results indicate that appealing to positive, self-sufficient identities or offering rewards that further mobility goals could strongly "nudge" behaviors. For example, homeownership programs for low-income families that offer a combination of debt management services and homeownership preparation courses and services would be beneficial since the debt repayment piece of the program would be directly tied to a mobility goal. Additionally, college savings programs could be tied to debt repayment. Creditors may want to rethink some of their harshest tactics for collecting debts, and instead consider innovative programs that promote repayment with an eye towards promoting the mobility goals of those who owe. For example, they could offer incentives for repayment such as directing a small percentage of the amount repaid to college savings accounts. The federal government could offer such a program directly or could offer creditors incentives to create such programs.

A potential critique of our results is that families described the meanings they associated with debts as a post-hoc rationalization justifying their ability or inability to pay. The challenge to this critique is that it cannot explain why the *same respondent* took multiple approaches to managing their debts, such as simultaneously juggling some bills while completely ignoring others (which occurred with 36 percent of our respondents). Likewise, it does not explain why some families *could* pay on an outstanding debt but chose not to. Finally, it does not explain why some families changed their approaches to certain debts over time without concomitant changes in their financial circumstances, such as after deciding they wanted to own a home.

We also acknowledge several limitations of our data. First, our interviews were not longitudinal, so we could not follow families prospectively over time to determine how successful they were at paying off their debts in the long term. Instead, we had to rely on respondents' descriptions of what they were doing currently, what they planned to do, and what they had done in the past to categorize their approaches to debt repayment. Since we rely on families' self-reports, it is possible that families did not tell us about all of their debts, that they over- or underrepresented their total amount of debt, or that they over- or underemphasized some coping strategies they used to address their debt. Our study focuses on the lower part of the income distribution, so we cannot tell whether the circumstances we identified surrounding debt accumulation or the strategies used to repay them would apply to more affluent families. Future research might uncover interesting commonalities or differences across social strata. Additionally, our interviews took place before the recession that began in 2008. The crisis highlighted many of the predatory and exploitative lending practices experienced by families in our study and made it more difficult for families obtain credit, although it did little to ease the debt burdens of lower-income families. Finally, our sample consists of families who received the EITC, which allowed us to target a lower-income sample, but we miss the approximately 25 percent of income-eligible families who do not claim the EITC refund and who may be systematically distinct from those who are eligible and do claim. Additionally, focusing on the EITC-eligible population restricts the age range of our sample to households with children, which means that very old and very young households and childless adults will be underrepresented. It also restricts the sample to those who are employed, who may differ from the lowest-income individuals who have no earned income. If these groups are somehow more or less advantaged than the families who do claim the refund, this could bias the overall distribution of debt management strategies we observed.

Cultural influences on debt behaviors have important implications for economic policy. While many credit card companies employ aggressive, and often misleading, advertising approaches to sign up new users, our results suggest that these debts are the ones respondents were most resistant to paying off if they perceived them as unfair. While these practices are quite lucrative for credit card companies, in some cases they may backfire. Yet families attempted to pay off all kinds of debts when they were motivated by a socioeconomic mobility goal. Once they took steps to achieve that desired goal, they learned that debt stood in the way. The most common example of this was aspirations of homeownership, which motivated families to prioritize their bills and make serious efforts to pay them off, even if it meant sacrificing basic necessities. Based on these findings, financial education and outreach, increased transparency by creditors, and savings and repayment programs that appeal to the positive self-identities and mobility goals of debtors could be successful policy strategies for motivating families to reduce debt and improve savings and spending behavior.

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